

**STATE OF MICHIGAN  
DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH  
OFFICE OF FINANCIAL AND INSURANCE REGULATION**

**In the matter of:**

**Third Transition Order administering the  
Michigan Uniform Securities Act**

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**Order No. 09-070-M**

**Issued and entered  
on this 18<sup>th</sup> day of December 2009  
By Ken Ross  
Commissioner**

**THIRD TRANSITION ORDER ADMINISTERING MICHIGAN  
UNIFORM SECURITIES ACT, 2008 PA 551**

WHEREAS, the Commissioner of the Office of Financial and Insurance Regulation (OFIR) issued a Transition Order on September 1, 2009, Order No. 09-049-M (First Transition Order), and issued a Second Transition Order on September 30, 2009, Order No. 09-055-M (Second Transition Order), implementing the Uniform Securities Act (2002), 2008 PA 551, MCL 451.2101 to 451.2703 (Act), which act took effect on October 1, 2009; and

WHEREAS, the Commissioner of OFIR is charged with the administration of the Act and authorized under Section 605, MCL 451.2605, to issue such orders as are necessary in the public interest or for the protection of investors that are consistent with the purposes intended by the Act; and

WHEREAS, Section 203 of the Act, MCL 451.2203, authorizes the Administrator by order to exempt a transaction from any or all of the registration requirements of Sections 301 to 306, MCL 451.2301 to MCL 451.2306, and the sales and advertising filing requirements of Section 504 of the Act, MCL 451.2504; and

WHEREAS, paragraph 10 of the First Transition Order requires amendment and clarification as set forth in this Third Transition Order; and

WHEREAS, Section 406(5) of the Act, MCL 451.2406(5), authorizes the Administrator by order to impose registration conditions not inconsistent with the National Securities Markets Improvement Act of 1996; and

WHEREAS, Section 411(1) of the Act, MCL 451.2411(1), authorizes the Administrator by order to establish minimum financial requirements for broker-dealers and investment advisers; and

WHEREAS, Section 411(3) of the Act, MCL 451.2411(3), authorizes the Administrator by order to determine what records a broker-dealer and an investment adviser must maintain; and

WHEREAS, Section 411(7) of the Act, MCL 451.2411(7), authorizes the Administrator by order to require that an investment adviser registered or required to be registered under the Act furnish or disseminate to clients or prospective clients in Michigan information as necessary or appropriate in the public interest and for the protection of investors and advisory clients, and

WHEREAS, Section 412(5) of the Act, MCL 451.2412(5), authorizes the Administrator by order to require a class of individuals to successfully complete an examination.

NOW, THEREFORE, IT IS ORDERED as of October 1, 2009, as follows:

1. The sale of capital stock issued by a professional service corporation formed under the Professional Service Corporation Act, 1962 PA 192, MCL 450.221 to MCL 450.235, shall be exempt under Section 203 of the Act, MCL 451.2203, from the registration requirements of Sections 301 to 306, MCL 451.2301 to MCL 451.2306, and the sales and advertising filing requirements of Section 504 of the Act, MCL 451.2504.
2. The sale of membership interests by a Professional Limited Liability Company formed to render the professional services specifically described in Section 902(b) of the Michigan Limited Liability Company Act, 1993 PA 23, MCL 450.4901 to MCL 450.4910, shall be exempt under Section 203 of the Act, MCL 451.2203, from the registration provisions of Sections 301 to 306, MCL 451.2301 to MCL 451.2306, and the sales and advertising filing requirements of Section 504 of the Act, MCL 451.2504.
3. An intra-industry transaction by and among persons engaged in the oil, gas, and mineral business as specified in R 451.803.5(1)-(3) of the Michigan Administrative Code, which specifications, excluding statutory citations, are incorporated into this Order and made a part hereof, shall be exempt under Section 203 of the Act, MCL 451.2203, from the registration provisions of Sections 301 to 306, MCL 451.2301 to MCL 451.2306, and the sales and advertising filing requirements of Section 504 of the Act, MCL 451.2504.

IT IS FURTHER ORDERED as of January 1, 2010, as follows:

Paragraph 10 of the First Transition Order is amended as follows:

4. 10. ON AND AFTER JANUARY 1, 2010, An investment adviser representative applicant, ~~who has been registered within the past 2 years as an investment adviser representative~~ WITHIN TWO YEARS IMMEDIATELY PRECEDING THE DATE OF APPLICATION, AS REFLECTED IN THE RECORDS OF THE WEB CRD/IARD, in a state requiring registration shall not be ~~required to comply with~~ SUBJECT TO the examination requirement in paragraph 9 OF THE FIRST TRANSITION ORDER, AS LONG AS THE APPLICANT'S STATE OF REGISTRATION ALSO REQUIRED THE

APPLICANT TO TAKE AND PASS EITHER THE UNIFORM INVESTMENT ADVISER STATE LAW EXAM (S65) OR THE UNIFORM COMBINED STATE LAW EXAMINATION (S66), AND THE GENERAL SECURITIES REPRESENTATIVE EXAMINATION (S7). ~~and~~ The examination requirement OF PARAGRAPH 9 OF THE FIRST TRANSITION ORDER is waived for any person who is current and in good standing as a Certified Financial Planner (CFP), awarded by the Certified Financial Planners Board of Standards; a Chartered Financial Consultant (ChFC) or Masters of Science and Financial Services (MSFS), awarded by the American College, Bryn Mawr, Pennsylvania; Chartered Financial Analyst (CFA), awarded by the Institute of Chartered Financial Analysts; Personal Financial Specialist (PFS), awarded by the American Institute of Certified Public Accountants; or Chartered Investment Counselor (CIC), awarded by the Investment Adviser Association.

IT IS FURTHER ORDERED that an amended paragraph 10, without editing, be immediately posted to the OFIR website, <http://web2.cis.ad.state.mi.us/ofir/home.asp>:

10. On and after January 1, 2010, an investment adviser representative applicant, registered as an investment adviser representative within two years immediately preceding the date of application, as reflected in the records of the Web CRD/IARD, in a state requiring registration, shall not be subject to the examination requirement in paragraph 9 of the First Transition Order, as long as the applicant's state of registration also required the applicant to take and pass either the Uniform Investment Adviser State Law Exam (S65) or the Uniform Combined State law Examination (S66), and the General Securities Representative Examination (S7). The examination requirement of paragraph 9 of the First Transition Order is waived for any person who is current and in good standing as a Certified Financial Planner (CFP), awarded by the Certified Financial Planners Board of Standards; a Chartered Financial Consultant (ChFC) or Masters of Science and Financial Services (MSFS), awarded by the American College, Bryn Mawr, Pennsylvania; Chartered Financial Analyst (CFA), awarded by the Institute of Chartered Financial Analysts; Personal Financial Specialist (PFS), awarded by the American Institute of Certified Public Accountants; or Chartered Investment Counselor (CIC), awarded by the Investment Adviser Association.

5. If an applicant for registration as a broker-dealer, agent, investment adviser, and/or investment adviser representative fails to complete or withdraw an application within 90 days from the date of filing, under Section 406(5) of the Act, MCL 451.2406(5), the Administrator shall be authorized to withdraw the incomplete application.

6. Pursuant to Section 411(1) of the Act, MCL 451.2411(1):

(a) A broker-dealer, registered or required to be registered under the Act, shall maintain net capital in such minimum amounts as are designated in Rule 15c3-1, 17 CFR 240.15c3-1, promulgated under the Securities Exchange Act of 1934, 15 USC 78o, for the activities to be engaged in by the broker-dealer in this state.

(b) The aggregate indebtedness of a broker-dealer to all other persons shall not exceed the levels prescribed under Rule 15c3-1, 17 CFR 240.15c3-1, promulgated under the Securities Exchange Act of 1934, 15 USC 78o.

(c) If a broker-dealer is an individual, the person shall segregate from personal capital an amount sufficient to satisfy the net capital requirement, and the amount so segregated shall be utilized solely for the business for which the broker-dealer is registered. The full text of Rule 15c3-1 is available at <http://www.sec.gov> under "About the SEC," then "Laws and Regulations."

7. Pursuant to Section 411(1) of the Act, MCL 451.2411(1):

(a) Each investment adviser registered or required to be registered under the Act, whose principal office is in this state, shall maintain at all times a positive net worth. If an investment adviser is an individual, the person shall segregate from personal capital an amount sufficient to maintain a positive net worth, and the amount so segregated shall be utilized solely for the business for which the investment adviser is registered.

(b) This section shall not apply to any investment adviser with its principal office in a state other than this state, provided that the investment adviser is registered in that state and is in compliance with that state's minimum net capital requirements, if any.

8. Pursuant to Section 411(3) of the Act, MCL 451.2411(3):

(a) A broker-dealer registered or required to be registered under the Act shall prepare and keep current at its principal office the books and records as described in Rules 17a-3 and 17a-4, 17 CFR 240.17a-3, promulgated under the Securities Exchange Act of 1934, 15 USC 78a to 78nn.

(b) A broker-dealer registered or required to be registered under the Act shall preserve the records required under (a) according to the schedule provided in Rule 17a-4, 17 CFR 240.17a-4, promulgated under the Securities Exchange Act of 1934, 15 USC 78a to 78nn, in compliance with the requirements of the U.S. Securities and Exchange Commission concerning preservation and microfilming of records or other means of retention of records.

(c) Every branch office of a broker-dealer registered or required to be registered under the Act, shall prepare and keep current the branch office books and records as described in Rule 17a-3, 17 CFR 240.17a-3, promulgated under the Securities Exchange Act of 1934, 15 USC 78a to 78nn.

(d) This section does not require a registered broker-dealer to make and keep such records of transactions cleared on its behalf by another broker-dealer as are customarily made and kept by the clearing broker-dealer. The full text of Rules

17a-3 and 17a-4 are available at <http://www.sec.gov> under "About the SEC," then "Laws and Regulations."

9. Pursuant to Section 411(3) of the Act, MCL 451.2411(3):

(a) An investment adviser registered or required to be registered in this state shall prepare and keep current at its office, or at a designated office located in this state and approved in writing by the Administrator, the books and records relating to its business in accordance with Rule 204-2, 17 CFR 275.204-2, promulgated under Section 204 of the Investment Advisers Act of 1940.

(b) An investment adviser registered or required to be registered in this state and with its principal place of business in a state other than this state shall be exempt from the requirements of this section, provided the investment adviser is registered or licensed in that state and is in compliance with that state's recordkeeping requirements. The full text of Rule 204-2, 17 CFR 275.204-2, promulgated under the Investment Advisers Act of 1940 is available at <http://www.sec.gov> under "About the SEC", then "Laws and Regulations."

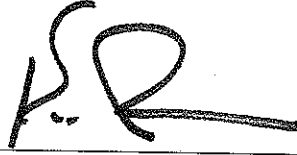
10. Pursuant to Section 411(7) of the Act, MCL 451.2411(7):

(a) An investment adviser registered or required to be registered under the Act shall furnish each investment advisory client and prospective investment advisory client with a written disclosure statement which may be a copy of Part II of the investment adviser's Form ADV or a written document containing at least the information required by Part II of Form ADV. The investment adviser shall deliver the statement required by this paragraph to an investment advisory client or prospective investment advisory client not less than 48 hours before entering into any investment advisory contract with the client or prospective client or at the time of entering into any such contract, if the client has a right to terminate the contract without penalty within 5 business days after entering into the contract.

(b) An investment adviser registered or required to be registered under the Act shall annually and without charge deliver or offer to deliver to each of its advisory clients the disclosure statement required by this paragraph. A disclosure statement required by this paragraph and requested in writing by an advisory client pursuant to an offer to deliver must be mailed or delivered within 7 business days of the request.

11. Pursuant to Section 412(5) of the Act, MCL 451.2412(5), the examination requirements specified in R 451.604.3 of the Michigan Administrative Code, which specifications, excluding statutory citations, are incorporated into this Order and made a part hereof, shall apply to individuals seeking registration under Sections 401 or 402, MCL 451.2401 and MCL 451.2402.

12. Except as MODIFIED by the terms of this Order, all other provisions of the First Transition Order, the Second Transition Order and the Act shall be administered, implemented, and enforced as provided in the Act, subject to such further Orders as may be needed throughout the transition process.

A handwritten signature in black ink, appearing to be 'K. Ross', written over a horizontal line.

Ken Ross, Administrator  
Commissioner of the Office of  
Financial & Insurance Regulation